

Economic Impact Statement
LSA Document #07-471

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

Indiana Code 4-22-2.1-5 requires an agency to submit a statement concerning the economic impact of any proposed rule on small businesses to the Indiana Economic Development Corporation (IEDC) and publish the statement in the Indiana Register. The proposed rule allows INDOT to issue permits for changeable message signs.

IC 4-22-2.1-5(a)(1): Estimated Number of Small Businesses Affected

To the best of INDOT's knowledge, the proposed rule does not directly affect any small businesses. However, the department believes that perhaps four or five small businesses exist in the billboard industry, so it will explain below the impact the rule would have on them. According to information obtained from billboard industry, the cost of a changeable message sign is anywhere from \$300,000 to \$500,000. Therefore, INDOT expects to receive none or very few permit applications for changeable message signs from small businesses due to the high costs of these signs.

A total of 50 companies submitted permit applications for traditional signs to INDOT in 2006. Since INDOT does not require business information from applicants, there is no way for INDOT to know exactly how many small businesses will be affected. Additionally, since the Governor signed the law authorizing changeable message signs on April 25, 2007, eight addendum applications for changeable message signs have been submitted to INDOT.

IC 4-22-2.1-5(a)(2): Estimated Average Reporting, Record Keeping, and Administrative Costs

The proposed rule imposes no new reporting or record keeping costs on any business, large or small. INDOT currently requires outdoor advertising companies to submit a \$25 nonrefundable application fee when applying for a new sign and an additional \$75 permit fee upon approval of the permit. If a permit holder wishes to convert an existing conforming sign to a new changeable message sign, the permit holder shall file an addendum with the department any time a permit holder wishes to make changes to the sign in accordance with [105 IAC 7-3-1.5\(d\)](#).

IC 4-22-2.1-5(a)(3): Estimated Annual Fiscal Impact

The adoption of this rule does not have any annual impact upon small businesses. As noted above, INDOT expects to receive very few permit applications for changeable message signs from small businesses. Even if a small business applies for a permit, the proposed rule would not adversely impact them because the current fee structure in existence for regular static signs will also apply to changeable message signs. More companies may desire to convert their existing static signs to changeable message signs, and in that case INDOT would make such companies file an addendum application when they wish to convert a static sign to a changeable message sign.

IC 4-22-2.1-5(a)(4): Justification of Requirements

The following Indiana statute and federal regulation apply to the adoption of this rule:

IC 4-22-2-25.5

Sec. 25.5. (a): The department may adopt rules under [IC 4-22-2](#) that provide for the issuance of a permit for a changeable message sign erected, operated, used, or maintained in areas described in section 25(a) of this chapter.

23 CFR Section 750.705(h): The State must develop laws, regulations, and procedures to accomplish the requirements of effective control of outdoor advertising.

INDOT's proposed rule regulating changeable message signs is justified because restrictions on changeable message signs such as lighting, sizes, types, and locations will help to promote the safety of motorists.

The minimal permit costs also are justified. The costs associated with this rule for changeable message signs reflect current INDOT practice for existing static signs. The minimal cost is justified as an administrative fee that helps pay a small part of INDOT's costs to administer the permit process. (Details are shown below in the revenue and cost summary table.)

IC 4-22-2.1-5(a)(5): Regulatory Flexibility Analysis

The proposed rule could be less restrictive to businesses; however, INDOT believes the restrictions in the proposed rule are necessary to help promote the safety of Indiana's motorists. For example, INDOT could allow for more types of changeable message signs, such as stacked signs, but this likely would distract drivers and lead to accidents.

INDOT believes the application and addendum processes outlined in subsection (a)(1) through (a)(4) above

are justified because INDOT needs to maintain an inventory and control over billboards to ensure compliance with federal and state laws. These processes serve the overall goal of keeping the motorists safe.

INDOT assumes the rule will result in more revenue for businesses by allowing multiple advertisements on a single site. Whereas INDOT expects a minimal increase in its revenue generated from an estimated 10% increase in the number of permit applications and in cost associated with personnel workload, equipment use, and training.

Revenue and Costs of Changeable Message Signs

Revenue:

INDOT anticipates that permit requests will increase 10% per year due to applications and addendums for changeable message signs. The estimated increase is based on 226 permit requests received in 2006.

Revenue is calculated @ \$100 per permit based on the projected increase of 10% in volume of permit applications per year, assuming all these applications are processed and permits are issued.

Year	Increase in permit applications	fees/permit	total
2007	1 new applications*	\$100	\$100
2008	2 new applications	\$100	\$200
2009	3 new applications	\$100	\$300
2010	4 new applications	\$100	\$400

Costs:

Costs to the state also are estimated to increase 10% per year in addition to a one-time training cost of \$3,000 in the first year. The estimated increase in cost is:

- \$2,246.16 for 2007*
- \$7,492.32 for 2008
- \$5,053.86 for 2009
- \$5,428.22 for 2010

The chart below details these estimated costs.

*Since the law was signed, eight addendum applications for changeable message signs have been received.

Changeable Message Signs Estimated Increase of INDOT Costs

INDOT calculated the cost increase by using current INDOT personnel costs, vehicle costs, and training costs.

The details are shown below.

Personnel

Personnel costs are for a field investigation and office processing time for one permit. These costs include the state fringe benefit cost for items such as insurance, FICA, PERF, and leave time.

Positions	Rates		Hours		Fringe		Total
District Regulatory Investigator	\$15	x	2	x	1 + 74.93%	=	\$52.48
Central Office Engineer Asst.	\$18	x	4	x	1 + 74.93%	=	\$125.95
Subtotal A							\$178.43

Vehicles

The vehicle cost is the INDOT rate for use of an INDOT sedan times estimated mileage to investigate one permit.

	Vehicle Rate		Round Trip Mileage		Total
District Regulatory Investigator	\$0.25	x	35	=	\$8.75
Subtotal B					\$8.75

Training

Training costs are for one time training for INDOT district investigators and supervisors.

	Rate		Hours		# of People		Total
Training Costs in FY 2008	\$15	x	4	x	50	=	\$3,000

Subtotal C	\$3,000
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The increase is based on a projected increase in permit applications of 10% per year using the 226 applications in 2006 as a base. The annual increase in the number of permits is multiplied by the appropriate subtotal.

Increase in Cost	2007	2008	2009	2010
Estimated # of Additional Permits	12*	24	27	29
Personnel Cost Increase	\$2,141.16*	\$4,282.32	\$4,817.61	\$5,174.74
Vehicle Cost Increase	\$ 105	\$ 210	\$ 236.25	\$ 253.75
Training Cost Increase	\$ 0	\$3,000	\$ 0	\$ 0
Total	\$2,246.16	\$7,492.32	\$5,053.86	\$5,428.49

*Estimated number is from May to December 2007

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